

The House passed a sweeping housing reform bill on Wednesday, just hours after the White House said it was dropping any veto threat.

Senate leaders have promised swift passage as well, meaning the bill could become law in just days.

The bill passed 272-152 in the House, after leadership fast-tracked it to the floor. The bill is intended to rescue some 400,000 homeowners at risk of foreclosure in the current crisis, as well as restoring investor confidence in the government-sponsored enterprises [GSEs] Fannie Mae (FNM) and Freddie Mac. (FRE)

"We cannot afford to have the largest two semi-government agencies unprotected," said Rep. Maxine Waters, D-Calif. "We are sending a message that we are not going to have disruption in the market at this time."

Rep. Al Green, D-Texas, was more blunt: "They are too big to fail and we should not fail them."

The bill authorizes the Treasury to lend unlimited credit to the GSEs should they face failure. In other words, the bill for the first time makes explicit the formerly implicit guarantee that the government would rescue them in a crisis.

Fannie and Freddie back or own almost half of the nation's mortgages — about \$5 trillion worth.

Congressional analysts estimated the rescue could cost up to \$25 billion, though it remains unclear if it will be needed at all.

The bill creates a new regulator for the GSEs whose oversight would include executive compensation. Former Fannie Mae CEO Franklin Raines resigned in 2004 over accounting irregularities tied to executive pay.

The legislation also would allow at-risk homeowners to refinance their current loans with lower mortgages backed by the Federal Housing Administration. The FHA would get \$300 billion in lending authority.

The GSEs would be given expanded authority to help aid borrowers by raising the cap on loans to \$625,000, up from \$417,000. Lenders would take the brunt of the losses.

The bill also includes \$3.9 billion in aid to communities hit hardest by the downturn, allowing them to purchase vacant and foreclosed properties. It has \$15 billion in housing tax breaks as well, including credit of up to \$7,500 for first-time buyers.

"This is the most far-reaching reform in a generation," said House Speaker Nancy Pelosi, D-Calif.

But not that far-reaching. Pelosi said that "down the road" Congress should review the "hybrid" public-private nature of the GSEs.

Republicans complained that it amounted to a bailout of Fannie Mae and Freddie Mac and did little to solve the GSEs' underlying problems.

"I am deeply disappointed the White House will sign this bill in its current form," said House Minority Leader John Boehner, R-Ohio.

Rep. Pete Sessions, R-Texas, noted the contradiction that the bill made available money from the Treasury for the GSEs while at the same time taxing them to create an affordable housing fund.

"Which is it? Are Fannie Mae and Freddie Mac private companies teetering on the brink of financial disaster, thereby justifying this unprecedented taxpayer exposure and government intervention into the marketplace?" Sessions asked. "Or are they cash cows that can and

should be forever milked to provide financial support to every low-income housing whim this Congress can dream of?"

But for most, the urgency of addressing the housing crisis trumped any concerns regarding the language of the legislation.

"We cannot let the housing market slip further and further," said Rep. John Campbell, R-Calif.

The White House had earlier said it might veto the bill based on the \$3.9 billion fund. In a statement Wednesday, it expressed some reservations but said the bill contained "several critically important provisions."

"With Congress about to begin its scheduled summer recess, it is important that the desirable aspects of this bill be enacted expeditiously into law, despite the administration's concerns about other provisions," the statement read.

Democrats repeatedly cited the administration's backing to rebut criticism.

"We are here at the urgent request of the Bush administration," said Rep. Barney Frank, D-Mass., chairman of the House Financial Services Committee and one of the authors off the bill.

He said he feared getting "caught in GOP crossfire."

"This is a balanced bill that includes a significant increase in the reform of Fannie Mae and Freddie Mac," Frank said.